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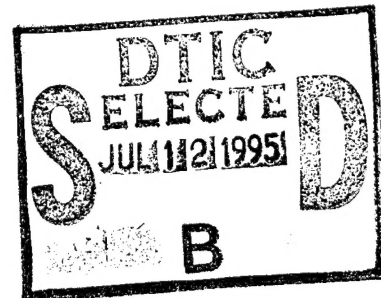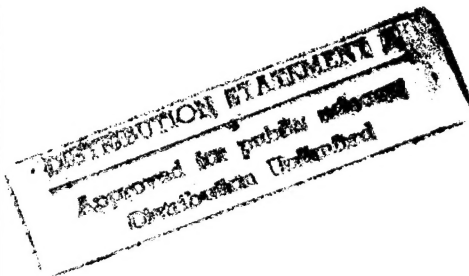
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Organization of Financial and Business Management Assets
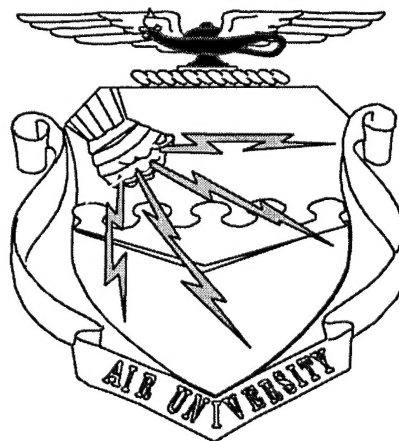
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PMCS IDEA PAPER

TITLE: Organization of Financial and Business Management Assets

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Executive Summary

For the Materiel Systems Group (MSG), like other government agencies, the most efficient use of assets grows in importance everyday. The attached paper presents an idea that increases the usefulness of a portion of MSG human resources. The proposal also offers improvement in certain areas of information management. I suggest the consolidation of MSG financial management (FM) and business management (BM) assets and records into the program control office (MSG/SZ).

The centralization of personnel, such as resource advisors, performing FM functions and people doing BM tasks, like business managers, could improve overall MSG functioning due to several factors. These include advantages achieved through standardization of procedure, information and files. Another plus lies in more relevant training and improved knowledge base. More effective use and control of MSG resources, both human and physical, constitutes a third major factor. The paper also looks at several smaller issues to consider before making a final decision on this proposal.

The MSG struggles in a period of downsizing and reorganization. The program offices no longer have the level of autonomy they had in the past. The whole unit must consider alternatives to improve the overall viability and utility of all common support functions. The program control office already has responsibility for providing support to the program offices. This proposal would greatly improve two of the most important support areas by consolidating FM and BM personnel along with information management into SZ.

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INTRODUCTION

The Materiel Systems Group (MSG), which develops and maintains computer hardware and software for the Department of Defense and various agencies, recently underwent a series of major organizational and responsibility changes. With these changes, units that worked almost independently in the past are now expected to work much more closely, as a single unit. In the areas of business and resource management, MSG program offices still operate almost independently with very little common practices established. The resource management system (RMS)(1:22) that MSG started in July of 1994 was a positive step to begin those common practices. For many reasons the MSG needs to look more in these areas. For example, much tighter fiscal constraints force a more cooperative attitude for the survival of the whole. Various outside units including Electronic Security Command (ESC), Air Force Materiel Command (AFMC), Air Staff, Defense Finance and Accounting Service (DFAS) and many MSG customers have increased their oversight with a corresponding increase in requests for information and "data calls" asking about the Group. Audits seem to be increasing. Perhaps the loss of the M-account is the biggest factor of all. With the attention being given to unliquidated obligations (ULO), complete and standardized contract and financial records are a necessity. However, the MSG does not have standard practices or common data files in all areas of financial and business practices. That means program offices keep information in different formats, keep differing kinds of data, and have people with various skill levels maintaining the information. By making business managers and resource advisors part of the program control office (SZ) and centralizing both automated and hard copy files, the MSG can insure adequate competency and information. This paper will look at four aspects of the use of business and resource management assets: the advantages of standardization, possible improvement in training and competency, best use and control of resources, and other considerations.

DISCUSSION

<u>Advantages of Standardization</u>: The MSG spreads across the United States physically. Function and management practices separate its program offices (POs) and operating locations as well. However, this discussion applies to POs only unless specified otherwise.

Because of the variety of practices, programs respond to any given question with a wide variety of form and depth of information. They use different methods to collect, compile and maintain their data therefore an answer to a question can't be equivalent. For example, one PO may track use of funds by contract number while another may use purchase request number as the main method. One may use spread sheets that track total funds committed by Element of Expense/Investment Code (EEIC) where another may record amounts based on the source of the funds. Each of these methods may be helpful in certain situations, but each PO may find a different answer to the same question. The answer will not be on an equivalent basis. Therefore, the quality of any comparison or compiled response using these records may be questionable.

In the Materiel Systems Group, the resource advisors (RAs) and business managers are largely responsible for keeping the records of the individual programs. The MSG took a large step forward in standardization with the establishment of the RMS. This started the Financial Working Group which brings the RAs together to discuss and recommend adjustments to the financial needs of their program and the Group as a whole. The Resource Management System also strengthened the connection between the financial management shop in SZ (SZF) and the program office. SZF increased standardization by developing the Financial Management Module (FMM), an automated financial information tracking system that all managers must use. Requirement, allotment, commitment and obligation information resides in FMM for all offices; the system will compile data in a variety of formats, but the same information is available to all of the Group in the same format. However, some managers persist in maintaining spread sheets and manual tracking systems. Hard copy files

aren't in one location or filed using a common system. To get all the benefits of standardization, MSG must continue to correct these varying management procedures. I haven't touched the business management area at all.

While the financial management area started the standardization process, the business management field remains unique in each program. The business managers follow contracts through the contracting process to contract closure. Different business managers record different types of information about their contracts. Some use spread sheets; others use manual forms. Management has no standard file plans, no set requirements for what hard copy information the MSG maintains, nor a standard for how long managers keep the files. This creates a heavy impact on the quality of historical data.

The lack of interaction between financial managers and business managers also affects the overall quality of MSG historical data. The attention being applied to ULOs exposed an example of this. In order to determine the possible impact on the Group from ULOs, units must have contract payment data. Some business managers track invoices, others don't. Also, no PO has true payment information and resource advisors generally do not look at expense data at all. The financial management area is responsible for tracking expense information but this data ties to EEIC and responsibility center, not to a given contract. True payment records are not readily available. The MSG must develop and maintain payment data using a cooperative internal effort. By consolidating the RAs and the business managers into the SZ area, both physically and by position, the Group can standardize methods, information management, and requirements. The program control office can establish common files and file systems that keep the information separated by program office and specify what to keep. Quality control will improve. We will still assign business managers and RAs to particular programs. This will maintain the individualized support the program managers need. Standardization through reorganizing financial and business management functions under SZ can increase the reliability and availability of MSG data.

<u>Training and Competency Levels</u>: Talking about standardization may already point to another issue: training and the level of competency. Grade and knowledge levels vary widely among the people assigned by the program managers to RA and business manager slots. As with standard practices, RA training workshops improved the general knowledge level. However, resource advisors still work day to day in relative isolation from others doing similar jobs. They must go outside their office to get answers to questions. Instead of being part of a pool of knowledge, they must dig to put together a complete understanding of financial practices through annual training, quarterly Financial Working Groups (FWGs), and the periodic contact with SZF that is part of daily operations. Business managers must deal with the same problems without the help of the RA workshops and FWGs. By arranging both of these management areas within program control, we improve competency. Co-location would make setting up training easy. When knowledgeable people from financial management, contracting, or other areas become available to train our personnel, all the managers could easily attend the session. Read files, directives, and job related E-mail would also be readily available. More important, the managers would form a pool of common knowledge with easy access for all. This pool would help insure that the areas functioned correctly. Each person's strengths would overcome another's weaknesses. The steady interaction of working side by side increases the capabilities of all, especially those with less relevant backgrounds.

Another advantage of this organization that applies to the varied competency levels lies in putting the RAs and business managers in a position within SZ that allows observation. The program control office now has a responsibility to insure proper completion of the manager's jobs. However, SZ can't be everywhere in the MSG to see what troubles a RA, for instance, at a certain time. If the RA is too embarrassed to ask for help or "he has too much to do," questions go unanswered and they use poor procedures. SZ can monitor the situation when people are physically present and administratively part of the unit. We can establish standard training plans for each type of position and control the priority of training to make sure

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everyone gets the instruction they need. POs might look at financial or business management as an "additional duty" or just a job that someone has to do without considering both areas as career fields of their own requiring unique training and knowledge. Dedicating the chosen individuals to a single purpose allows SZ to tailor training as part of its responsibility.

Administrative responsibility for Group personnel also includes performance reports and feedback sessions. These tools put SZ in a position to see weaknesses before they become problems and correct weak points using on-the-job or more formal training. Reorganization of RA and business management assets would simplify training and improve the competency level of MSG personnel.

Control and Use of Resources: Consolidation of management resources would also improve the control and efficient use of MSG resources. The business managers and RAs are MSG human resources. In the current structure, the Group places them throughout the organization. The POs vary in size and workload. The business manager position in one office, for example, could need less than a full time person to do the job where another program might need two or more persons. Also, that workload may vary at different times. High workloads might tempt a program manager (PM) to divert RAs to other duties, losing financial management control entirely. Putting these assets in SZ allows spreading the workload more evenly. I advocate assigning particular individuals to a given program to give that PM one person and an alternate to work with daily. Someone would always be available to answer questions or work short suspense items. Everyone would have a backup (no more work stoppage due to one person shops). Work could shift when one PO requires more support than usual and another needs less. Stress on individuals would decrease due to stable workload and easier access to knowledge, procedures, and files needed to do their job.

Also in the area of human resources, this suggested structure would place employees under supervisors dedicated to the same field of expertise. Those writing performance reports would know more about what a given employee should do or know because the boss would

also be in financial management or business management. Employees could expect more relevant feedback. This contributes to better resource management.

Consider the improvement of control of Group records as well. We would file all paper copies in a single location. SZ would develop and maintain a single file plan, by program, for commitment, obligating and invoice documentation as well as contracts. MSG would not need duplication between SZ and the POs. All documents would be readily available. Researchers could go to one place to answer a data call. Even more important, the program control office would be able to control the quality of the files and insure they contained at least a prescribed level of information.

Automated information systems also benefit from this consolidation. As previously mentioned, standardization of methods helps insure all offices have a similar database in a format that allows extracting data equivalent to other offices. The unit could add new requirements into a single, common system more easily. POs would not have to deal with changes individually. The updates improve data management.

Organizing financial and business assets in SZ helps the oversight and control of MSG human and information resources. Before implementing this change, we should look at several other issues more closely.

Other Considerations: My first area of concern is the civilian personnel issue. Would a change in career field damage the future of MSG personnel? A civilian personnel specialist must answer this question. Another concern involves the reaction of the PMs. Program managers could construe this change as infringement. With a RA and a business manager assigned to a particular program, access to his or her information would not change. PMs would still direct when, how, and on what to spend money and approve each purchase request. The physical separation between PMs and managers might be a problem for some offices, but in many cases managers aren't currently located in the immediate vicinity of their PMs. Monthly or, better still, weekly meetings including PM, RA, and business manager should become standard procedure. One idea would be to include business managers and

RAs in PO staff meetings. After all, they do initiate use of funds, and track funding and contracts. The change in location places the RAs and business managers physically close to the budget and execution shops that review commitment documents before entry into the official accounting systems. So, while they must go to the program offices to get PM signatures on purchase requests and other documents, there would not be a large net increase in travel between PO and SZ. The program control office must, however, retain the separation of duties between shops. The "checks and balances" currently in place constitute the best defense against mistakes and fraud. The initiation of purchase requests by RAs with commitments verified by the execution shop is an example of this. Another issue needing discussion concerns availability of space within SZ. Are enough cubicles available? Recent personnel cuts opened some spaces. Before any final decision and after we determine the number of people needed, a survey of the area will show the feasibility. The operating locations present a unique challenge in this situation. I don't think it would be advisable to include them in the consolidation because of the large physical separation. However, these four locations would benefit from the standardization of procedures. The planning and execution of this plan must also fully involve the MSG contracting office. The Group needs a thorough discussion of these issues and any other ideas that this proposal might generate before implementation. Open review will disclose any hidden problems and insure the best plan of execution. I think the review, along with my discussion section, will support the following conclusions.

CONCLUSION

The MSG has a problem with availability and quality of historical data in the business and financial management areas. The problem exists throughout the Air Force and DOD due to inadequate accounting systems and other factors beyond the scope of this paper. The MSG also suffers a lack of knowledge base in the BM and FM fields, not in the program control

office, but in the widely separated POs. For these reasons, Group procedures need some adjustments. MSG could achieve improvement in standard practices, in the use and control of assets, and in training and competency levels by consolidating the business and financial management areas into SZ. A thorough process review before implementation would insure we consider all concerns and avoid less obvious obstacles. The Group can benefit from the placement of resource advisors and business managers within the MSG/SZ structure.

RECOMMENDATION

MSG/SZ should consolidate MSG business management and financial management assets, including resource advisors, into the program control office using these actions:
- Place financial managers in SZF
- SZX absorbs business managers
- Establish new shops while maintaining separation of duties from existing branches
- Pull the personnel from the program offices
  -- Reduce the number currently assigned to these tasks because of the expected efficiencies
  -- Based on this, SZ will need approximately seven financial managers and 10 business managers
- Establish standard procedures in both units with a common document filing system

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